

DECISION MAKING

MEANING

TYPES

PROCESS

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MEANING

- DECISION MAKING IS AN IMPORTANT JOB OF A MANAGER AS IT IS DONE IN SCIENTIFIC AND RATIONAL MANNER
- A DECISION IS THE SELECTION FROM AMONG ALTERNATIVES
- SOLUTION SELECTED AFTER EXAMINING SEVERAL ALTERNATIVES
- DECISIONS ARE BASED ON MANAGER'S KNOWLEDGE, EXPERIENCE, JUDGEMENT, CREATIVITY AND INNOVATION SKILL
- DECISION MAKING IS SITUATIONAL IN NATURE

DEFINITIONS

- **MACFARLAND," A DECISION IS AN ACT OF CHOICE WHEREIN AN EXECUTIVE FORMS A CONCLUSIONS ABOUT WHAT MUST BE DONE IN GIVEN SITUATION. A DECISION REPRESENTS A COURSE OF BEHAVIOR CHOSEN FROM A NUMBER OF POSSIBLE ALTERNATIVES**
- **GEORGE TERRY , " DECISION MAKING IS THE SELECTION BASED ON SOME CRITERIA FROM TWO OR MORE POSSIBLE ALTERNATIVES**
- **KOONTZ AND WEIHRICH," DECISION MAKING IS THE SELECTION OF COURSE OF ACTION FROM AMONG ALTERNATIVES. IT IS THE CORE OF PLANNING.**

FEATURES OF DECISION MAKING

- I. BASED ON RATIONAL THINKING
- II. PROCESS OF SELECTING THE BEST FROM ALTERNATIVES
- III. EVALUATION OF VARIOUS ALTERNATIVES
- IV. DECISION MAKING IS THE END PRODUCT
- V. AIMED TO ACHIEVE ORGANIZATIONAL GOALS
- VI. CERTAIN COMMITMENT
- VII. SITUATIONAL IN NATURE
- VIII. CONTINUOUS AND INTELLECTUAL PROCESS
- IX. DECISIONS ARE MADE ALL LEVEL OF ORGANIZATION

TYPES OF DECISIONS

■ PROGRAMMED DECISIONS :

- I. ARE ROUTINE AND REPETITIVE IN NATURE
- II. MADE WITH IN THE FRAMEWORK OF ORGANIZATIONAL POLICIES AND RULES AND THESE ARE ALREADY ESTABLISHED IN ADVANCE
- III. EASY TO MADE AS THESE RELATE TO THE PROBLEMS WHICH ARE SOLVED BY CONSIDERING INTERNAL ORGANIZATION PROBLEMS
- IV. THESE DECISION ARE TAKEN BY MIDDLE LEVEL MANAGERS ACCORDING TO PRESCRIBED RULES AND PROCEDURES FOR EXAMPLE GRANTING A LEAVE TO EMPLOYEE,PURCHASING OFFICE MATERIALS

TYPES OF DECISIONS

■ NON PROGRAMMED DECISIONS :-

- I. TYPICALLY ONE SHOT DECISIONS THAT ARE USUALLY LESS STRUCTURED THAN PROGRAMMED DECISIONS
- II. TAKEN BY TOP EXECUTIVE AND NEED TO COLLECT DATA AND ANALYZE AND FORECAST THE STRATEGIC PLANS
- III. RELEVANT SOLVING UNIQUE PROBLEMS
- IV. NON RECURRING PROBLEM

TYPES OF DECISIONS

- STRATEGIC AND TACTICAL DECISIONS :

- STRATEGIC DECISIONS :

I. IS A MAJOR CHOICE OF ACTION CONCERNING ALLOCATION OF RESOURCES AND CONTRIBUTION TO THE ACHIEVEMENT OF GOALS

II. THREE ELEMENTS :

I. A COURSE OF ACTION OR PLANS WHICH SPECIFIES THE WORK TO BE DONE TO ACHIEVE THE RESULTS KNOWN AS ACTION ELEMENTS

II. A DESIRED RESULT OR OBJECTIVES TO BE ACHIEVED THROUGH THE IMPLEMENTATION OF THE DECISION RESULT ELEMENTS

III. A COMMITMENT WHICH DIRECT SOME PART OF ORGANIZATION TO UNDERTAKE THE COURSE OF ACTION MAKING THE PERSONNEL INVOLVED AND ALLOCATE RESOURCES COMMITMENT ELEMENTS

STRATEGIC DECISIONS AND TACTICAL DECISIONS

- STRATEGIC DECISIONS
- NON PROGRAMMED DECISIONS WHICH IS MADE UNDER THE CONDITIONS OF PARTIAL IGNORANCE
- TACTICAL DECISIONS : OPERATIONAL DECISIONS:
 - I. RELATE TO DAY TO DAY OPERATIONS AND HAS TO BE TAKEN VERY FREQUENTLY
 - II. REPETITIVE AND LIKE PURCHASE OF MATERIALS
 - III. MOSTLY PROGRAMMED ONE
 - IV. THE OUTCOME OF TACTICAL DECISIONS IS SHORT TERM NATURE AND AFFECT A NARROW PART OF THE ORGANIZATION
 - V. CAN BE DELEGATED TO LOWER LEVEL MANAGERS

TYPES OF DECISIONS

- ORGANIZATIONAL AND PERSONAL DECISIONS : ORGANIZATIONAL DECISIONS ARE TAKEN BY TOP EXECUTIVE FOR OFFICIAL PURPOSE. EFFECT ORGANIZATIONAL ACTIVITIES AND AUTHORITY IS ALSO DELEGATED. PERSONAL DECISIONS ARE CONCERNED TO AN EMPLOYEE
- INDIVIDUAL AND GROUP DECISION : WHEN A SINGLE EMPLOYEE IS INVOLVED IN DECISION MAKING IT IS CALLED INDIVIDUAL DECISION. TAKEN BY SOLE PROPRIETOR. WHEN THE DECISIONS IS OF GROUP TAKEN IN LARGE ORGANIZATION IT IS GROUP DECISIONS

DECISION MAKING PROCESS

- I. IDENTIFICATION OF THE PURPOSE OF THE DECISION
- II. ANALYSING THE PROBLEM
- III. IDENTIFYING LIMITING FACTORS
- IV. DEVELOPING POTENTIAL ALTERNATIVES
- V. DEVELOPING THE PRINCIPLES FOR JUDGING THE ALTERNATIVES
- VI. ANALYZING THE ALTERNATIVES
- VII. SELECTING THE BEST ALTRNATIVES
- VIII. EXECUTING THE DECISIONS
- IX. EVALAUATING THE RESULT
- X. MONITORING

DECISION MAKING PROCESS

- IDENTIFICATION OF THE PURPOSE OF THE DECISION : IDENTIFICATION OF THE PROBLEM AND WHY TO SOLVE IT AND WHO ARE THE PARTIES AFFECTED
- ANALYSING THE PROBLEM : SYSTEMATICALLY ANALYSIS OF THE PROBLEM,
 - I. *FUTURITY OF THE DECISIONS*
 - II. *IMPACT OF THE DECISIONS ON OTHER FUNCTIONAL AREA*
 - III. *QUANTITATIVE AND QUALITATIVE CONSIDERATIONS*

DECISION MAKING PROCESS

- IDENTIFYING LIMITING FACTORS : IDENTIFICATION OF CRITICAL AND STRATEGIC FACTORS KNOWN AS LIMITING FACTORS, LIMITING FACTORS CAN BE MEN,MATERIALS,TECHNICAL KNOWHOW,GOVERNMENT REGULATIONS
- DEVELOPING POTENTIAL ALTERNATIVES : DEVELOPING ALTERNAIVES
- DEVELOPING THE PRINCIPLES FOR JUDGING THE ALTERNATIVES : CRITERIA IS DEVELOPED TO STUDY THE PRO AND CONS OF EACH ALTERNATIVES

DECISION MAKING PROCESS

- ANALYZING THE ALTERNATIVES : COMPARES EACH ALTERNATIVES FOR THEIR POSITIVE AND NEGATIVES
- SELECTING THE BEST ALTRNATIVES :
- EXECUTING THE DECISIONS : EFFECTIVE COMMUNICATION AND ACCEPTED BY THE SUBORDINATES
- EVALAUATING THE RESULT
- MONITORING : PREVENTING THE HURDLES THAT CAN OBSTRUCT THE WAY OF FUTURE GOALS

GUIDE LINES FOR MAKING EFFECTIVE DECISIONS

- LOGICAL DECISIONS CAN BE MADE IF THE REAL PROBLEM IS INTERPRETED AND IDENTIFIED WITH IN DEPTH STUDY AND OBSERVATION
- APPLICATION OF LIMITING FACTORS
- ADEQUATE INFORMATION
- CONSIDERING OTHER'S VIEWS
- TIMELINESS



Certainty

- A manager is aware of the outcomes of the alternative.

Risk

- A condition in which manager able to estimate the likelihood of certain outcomes.

Uncertainty

- Uncertainty is the condition when a manager isn't certain about the outcome and he can't even make possible estimates about it.
- The choice of alternative is influenced by the limited amount of available information and by the psychological orientation of the decision maker.
- An optimistic manager will follow a maximax choice (maximizing the maximum possible payoff);
- a pessimist will follow a maximin choice (maximizing the minimum possible payoff);
- and a manager who desires to minimize his maximum "regret" will opt for a minimax choice.